FDIC State Profile

Summer 2005

New Hampshire

Employment has grown modestly this year; transformation to a "service" economy continues.

- Through the first quarter of 2005, manufacturing and construction employment held steady, and employment in services showed small gains. On a longer term basis, New Hampshire's employment levels grew more rapidly than other states in New England. Although employment rose only slightly over the past five years, increases since 1990 have exceeded 20 percent (See Chart 1).
- Throughout New England, as in most of the country, the manufacturing sector continues to shrink in terms of employment. As of first quarter 2005, New Hampshire's manufacturing sector, was four-fifths of the size it was in early 1990, representing a loss of 19,600 jobs.
- Employment growth in service jobs has been quite good. Professional and business services grew significantly in both the first half and, especially, in the second half of the 1990s, although minor losses occurred during the most recent five years. Overall, though, the 50 percent increase in employment in this service sector was very impressive. Employment growth in other services also has been strong, showing gains in each five-year period.

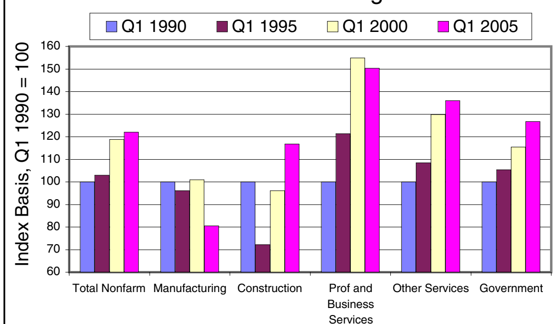
New Hampshire residents continue to have high and growing personal income per capita.

- Personal income per capita in New Hampshire continues to increase over time relative to other states. Its standing as of 2004 was sixth in the nation; ten years earlier it ranked tenth. New Hampshire's growth in personal income per capita during 2004 at 5.3 percent was the 18th *fastest* in the country.
- The recession of 2001 resulted in reduced real wages and salaries for New Hampshire's manufacturing and construction workers (See Chart 2). Over the past two years, real wages and salaries in all sectors other than construction rose as the economy improved.

House price appreciation remains significant.

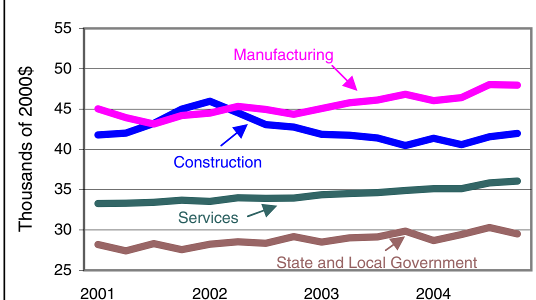
- During the past five years, house prices have risen an impressive 68 percent. However, the cyclical nature of the housing market is clearly shown in the changing price

Chart 1: Growth in Service Industries Offset Decline in Manufacturing Jobs



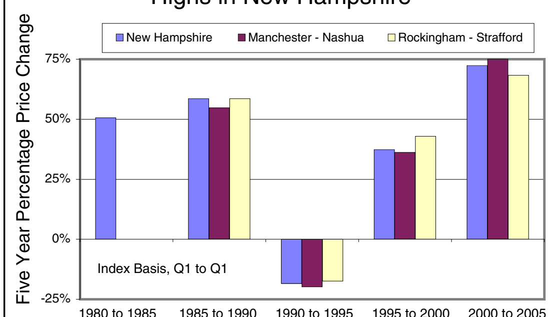
Sources: Bureau of Labor Statistics, Haver Analytics

Chart 2: Despite Job Losses, Wages per Employee Rise in Manufacturing



Source: Bureau of Economic Analysis, Bureau of Labor Statistics, Haver Analytics

Chart 3: House Prices Reach Unprecedented Highs in New Hampshire



Source: OFHEO, Haver Analytics

performance over the past 25 years (See Chart 3). The recent robust rate of price appreciation may be challenged by rising mortgage rates in the future.

- Overall, the rates of price appreciation have been relatively consistent across the state's two metropolitan centers for which data are available. Specifically, both the **Manchester-Nashua** Metropolitan Area and the **Rockingham-Strafford** County Metropolitan Division in the southern part of the state exhibited similar performances. The rate of appreciation in first quarter 2005 remained strong when compared with prices a year earlier, with gains exceeding 10 percent (See Map 1).
- Southern New Hampshire's residential markets largely reflect conditions in the greater Boston area. Favorable price differentials with Massachusetts, for both commercial and residential properties, continue to provide support for these markets.
- New Hampshire's house price appreciation is also driven by retirees and second home purchases. The three northern New England states (Vermont, New Hampshire and Maine) have the highest percentage of second home ownership in the entire country.
- The possible closing of the Portsmouth Naval Shipyard and loss of some 4,545 civilian jobs may adversely affect house prices in the New Hampshire seacoast area and in southern Maine.

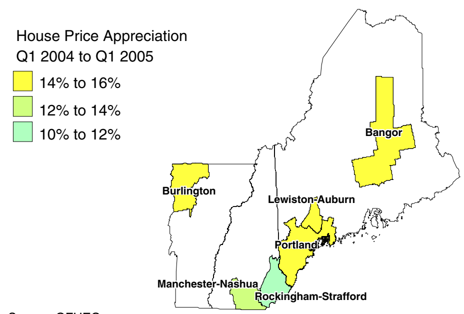
New Hampshire's insured institutions report lower residential loan delinquencies than other lenders.

- Delinquent residential (1-4 family) loans in New Hampshire's insured institutions remain near historic lows and were less than 1 percent as of first quarter 2005 (See Chart 4).
- Residential loans issued by the Department of Veterans Affairs (VA) and the Federal Housing Administration (FHA) nationally have not exhibited the improvement in loan quality that New Hampshire's insured institutions have shown. VA loans remain near past-due levels reported in early 1991, while FHA past-due loans have increased over time. The national delinquency level of the relatively new subprime loans is also well above New Hampshire's delinquency rates.

Earnings decline as a result of fewer gains on sales of securities.

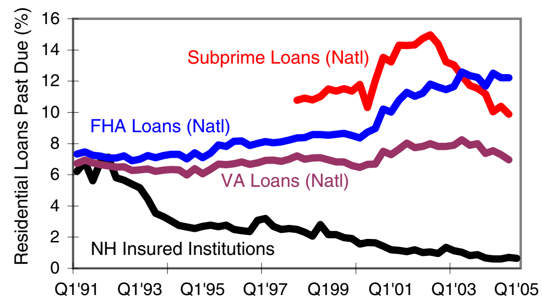
- New Hampshire's community institutions[1] continue to be profitable, but they experienced a 6-basis point decline in net earnings year-over-year as of first quarter 2005 (See Table 1). The earnings decline is attributable to fewer gains on security sales in the first quarter compared to the year earlier period.
- Community institutions reported an improvement in net interest margins in first quarter 2005 as interest rates began to increase late in 2004, which had a positive effect on asset yields. Because of the increase in interest rates, funding costs also began to increase but not as rapidly as asset yields.

Map 1: Metro Areas in New Hampshire Are Still Growing at Double Digit Rates



Source: OFHEO

Chart 4: Insured Institutions Report Lower Residential Real Estate Loan Delinquencies



Note: National data seasonally adjusted
Sources: FDIC, Mortgage Bankers Association, Haver Analytics

Table 1: Earnings Hampered by Declines in Gains on Security Sales as Margins Show Improvement

Percentage of Average Assets	First Quarter 2004	First Quarter 2005	Basis Point Change
Net Interest Income	3.58	3.61	0.03
Noninterest Income	0.52	0.50	-0.02
Noninterest Expense	2.90	2.87	-0.03
Provision Expense	0.07	0.06	-0.01
Security Gains & Losses	0.14	0.02	-0.12
Income Taxes	0.40	0.40	0.00
Net Income (ROA)	0.86	0.80	-0.06
Net Interest Margin (NIM)	3.86	3.89	0.03

Note: Aggregate data for institutions with assets <$1 billion. Excludes specialty institutions and de novos.
Source: FDIC

[1] Insured institutions with assets of less than $1 billion, excluding institutions less than three years old and specialty institutions.

New Hampshire at a Glance

ECONOMIC INDICATORS (Change from year ago quarter, unless noted)

Employment Growth Rates	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Total Nonfarm (share of trailing four quarter employment in parentheses)	2.1%	1.2%	-0.8%	-2.2%	2.7%
Manufacturing (13%)	1.8%	-2.3%	-6.5%	-15.8%	1.8%
Other (non-manufacturing) Goods-Producing (5%)	5.8%	3.2%	-2.0%	8.0%	6.3%
Private Service-Producing (68%)	2.0%	1.9%	-0.2%	-0.5%	2.9%
Government (14%)	1.9%	0.3%	2.0%	2.8%	2.2%
Unemployment Rate (% of labor force)	3.6	4.1	4.5	4.3	2.9

Other Indicators	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Personal Income	N/A	5.1%	2.0%	2.4%	4.0%
Single-Family Home Permits	-9.0%	16.0%	-20.3%	35.4%	1.8%
Multifamily Building Permits	-32.1%	114.0%	19.7%	90.1%	13.8%
Existing Home Sales	N/A	5.5%	-9.2%	-42.6%	-9.1%
Home Price Index	12.1%	9.7%	10.7%	12.0%	12.9%
Bankruptcy Filings per 1000 people (quarterly level)	0.98	0.93	0.85	0.79	0.82

BANKING TRENDS

General Information	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Institutions (#)	30	31	32	32	34
Total Assets (in millions)	30,809	28,899	29,514	29,237	33,289
New Institutions (# < 3 years)	0	0	0	1	2
Subchapter S Institutions	0	0	0	0	0

Asset Quality	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Past-Due and Nonaccrual Loans / Total Loans (median %)	0.76	0.97	1.09	1.31	1.38
ALLL/Total Loans (median %)	0.97	1.05	1.14	1.16	1.20
ALLL/Noncurrent Loans (median multiple)	4.48	3.85	3.28	2.95	2.28
Net Loan Losses / Total Loans (median %)	0.02	0.02	0.02	0.04	0.02

Capital / Earnings	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Tier 1 Leverage (median %)	8.71	8.54	8.64	9.02	8.63
Return on Assets (median %)	0.89	0.97	0.95	1.03	0.95
Pretax Return on Assets (median %)	1.35	1.42	1.49	1.51	1.41
Net Interest Margin (median %)	4.36	4.26	4.34	4.38	4.29
Yield on Earning Assets (median %)	6.67	6.63	6.79	7.06	7.35
Cost of Funding Earning Assets (median %)	2.47	2.45	2.61	2.77	3.13
Provisions to Avg. Assets (median %)	0.07	0.07	0.09	0.09	0.08
Noninterest Income to Avg. Assets (median %)	0.53	0.55	0.53	0.54	0.53
Overhead to Avg. Assets (median %)	3.24	3.18	3.15	3.15	3.13

Liquidity / Sensitivity	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Loans to Assets (median %)	70.7	66.2	62.9	65.3	68.0
Noncore Funding to Assets (median %)	17.5	17.7	15.7	15.0	15.1
Long-term Assets to Assets (median %, call filers)	16.2	14.4	13.7	10.6	10.3
Brokered Deposits (number of institutions)	7	5	2	1	2
Brokered Deposits to Assets (median % for those above)	2.5	3.5	26.0	49.4	22.0

Loan Concentrations (median % of Tier 1 Capital)	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Commercial and Industrial	39.2	42.3	46.1	49.7	50.0
Commercial Real Estate	232.6	199.6	197.4	172.1	167.3
Construction & Development	26.3	21.7	21.1	16.9	15.8
Multifamily Residential Real Estate	8.8	7.0	6.9	6.2	6.9
Nonresidential Real Estate	161.3	156.0	165.1	151.9	147.1
Residential Real Estate	362.3	361.8	363.5	349.7	359.5
Consumer	23.4	25.5	30.7	36.7	43.2
Agriculture	0.0	0.0	0.0	0.0	0.0

BANKING PROFILE

Largest Deposit Markets	Institutions in Market	Deposits ($ millions)
Manchester-Nashua, NH	14	6,489

Asset Distribution	Institutions
< $250 million	15 (50%)
$250 million to $1 billion	12 (40%)
$1 billion to $10 billion	2 (6.7%)
> $10 billion	1 (3.3%)